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**MOREHOUSE PARISH LIBRARY
BASTROP, LOUISIANA**

FINANCIAL REPORT

**As of and for the Year Ended
December 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/25/08

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

Financial Report

As of and for the Year Ended December 31, 2007

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MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Financial Report
As of and for the Year Ended December 31, 2007

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

I have audited the accompanying financial statements of the governmental activities and major fund of Morehouse Parish Library, a component unit of Morehouse Parish, as of December 31, 2007, and for the year then ended, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Morehouse Parish Library, as of December 31, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 9, 2008, on my consideration of Morehouse Parish Library's internal control over financial reporting and on my tests of the library's compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Independent Auditor's Report
December 31, 2007

The management's discussion and analysis and budgetary comparison information on pages 6 through 9 and page 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morehouse Parish Library's basic financial statements. The Status of Prior Year Findings listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s Carleen Dumas
Calhoun, Louisiana
June 9, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

MOREHOUSE PARISH LIBRARY
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2007

As management of Morehouse Parish Library (the "Library") (a component unit of Morehouse Parish), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2007. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the Library's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Library's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the Library based on information presented in the financial report and fiscal policies that have been adopted by the Library. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Library's financial activity, identify changes in the Library's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

In addition to the basic financial statements, the Library also includes in this report additional information to supplement the basic financial statements.

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the Library's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or weakening. Evaluation of the overall economic health of the Library would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Library's net assets changed during the most recent year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Library's distinct activities or functions on revenues provided by the users of the Library's services.

The government-wide financial statements report governmental activities of the Library that are principally supported by tax revenues. Governmental activities include general administrative services and culture and recreation.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses a fund to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Library as a whole with the major fund being separately reported.

The Library has only a governmental fund that is reported in the fund financial statements and encompasses essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Library's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Government-Wide Financial Analysis

The Library's combined net assets of governmental activities decreased approximately \$36,000 between the two years ended December 31, 2007 and 2006.

The following provides a summary of the net assets (in thousands of dollars) of the Library as of December 31:

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 791	\$ 795
Capital assets	<u>211</u>	<u>226</u>
Total assets	<u>\$ 1,002</u>	<u>\$ 1,021</u>
Other liabilities	<u>\$ 434</u>	<u>\$ 417</u>
Net assets:		
Invested in capital assets	\$ 211	\$ 226
Unrestricted	<u>357</u>	<u>378</u>
Total net assets	<u>\$ 568</u>	<u>\$ 604</u>

As noted earlier, net assets may serve over time as a useful indicator of the Library's financial position.

The following summarizes the Library's net asset changes (in thousands of dollars) between the two years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 7	\$ 7
Operating grants	37	20
General revenues:		
Ad valorem taxes	408	408
State revenue sharing	30	32
Interest and miscellaneous	<u>31</u>	<u>26</u>
Total revenues	<u>\$ 513</u>	<u>\$ 493</u>
Expenses:		
General government	\$ 13	\$ 13
Culture and recreation	522	477
Depreciation	<u>14</u>	<u>19</u>
Total expenses	<u>\$ 549</u>	<u>\$ 509</u>
Decrease in net assets	<u>\$(36)</u>	<u>\$(16)</u>

The Library's total revenues increased by \$20,000 while the total cost of all programs and services also increased by \$40,000. The majority of the revenue increase was attributable to additional operating grants - state aid. Increases in personal services, operating services, and library materials accounted for the majority of the increase in expenses. The Library's expenses cover a range of services with one-half related to personal services (payroll, benefits, etc.).

General revenues are those available for the Library to pay for the governmental activities. For the year ended December 31, 2007, ad valorem taxes were the largest general revenue source (80%) by far for the Library.

Program revenues derive directly from the program itself and, as a whole, reduce the cost of the function to be financed from the Library's general revenues.

Financial Analysis of the Governmental Fund

As of December 31, 2007, the Library's governmental fund reported an ending fund balance of \$356,998, a decrease of \$21,149 from \$378,147 as of December 31, 2006. The fund balance of the governmental fund is unreserved as of December 31, 2007.

Budgetary Highlights

The Library made amendments to its original budget for the year ended December 31, 2007 increasing expenditure appropriations by \$60,000. Actual non-GAAP basis revenues of the General Fund of \$513,505 exceeded budgeted revenues of \$463,000 by \$50,505 while actual non-GAAP basis expenditures of \$528,988 were less than budgeted expenditures of \$600,000 by \$71,012.

Capital Assets

As of December 31, 2007, the Library had invested \$211,400 in capital assets, including land, buildings, and equipment. No capital asset additions or deletions were made during the year ended December 31, 2007.

Economic Factors and Next Year's Budget

As the Library foresees little, if any, change in operations for the next year, 2008 budgeted revenues were increased by \$12,000 and 2008 budgeted expenditures were decreased by \$65,000 in comparison to the 2007 budgeted amounts.

Requests for Information

This financial report is designed to provide a general overview of the Library's financial picture for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Librarian, P.O. Box 232, Bastrop, Louisiana 71221-0232.

BASIC FINANCIAL STATEMENTS

Statement A

**MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana**

**STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
December 31, 2007**

ASSETS

Cash	\$381,499
Ad valorem taxes receivable	409,532
Capital assets:	
Land	60,000
Other capital assets, net of depreciation	<u>151,400</u>

TOTAL ASSETS	<u>\$1,002,431</u>
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LIABILITIES

Accounts payable	\$2,833
Payroll withholdings and accruals	11,166
Deferred revenue	<u>420,034</u>

TOTAL LIABILITIES	<u>434,033</u>
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NET ASSETS

Invested in capital assets	211,400
Unrestricted	<u>356,998</u>

TOTAL NET ASSETS	<u>568,398</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$1,002,431</u>
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The accompanying notes are an integral part of this statement.

Statement B**MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana****STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2007**

Expenses:	
General government - statutory charges	\$13,237
Culture and recreation:	
Personal services	278,593
Operating services	157,557
Materials and supplies	14,383
Library materials	62,943
Travel	5,367
Intergovernmental	2,380
Depreciation	<u>14,793</u>
Total expenses	<u>549,253</u>
Program revenues:	
Culture and recreation:	
Charges for services	6,424
Operating grant - state aid	<u>37,077</u>
Total program revenues	<u>43,501</u>
Net (Expenses) Revenues	<u>(505,752)</u>
General revenues:	
Ad valorem taxes	408,340
State revenue sharing	30,312
Interest and miscellaneous	<u>31,158</u>
Total general revenues	<u>469,810</u>
Change in net assets	(35,942)
Net assets - beginning	<u>604,340</u>
Net assets - ending	<u>\$568,398</u>

The accompanying notes are an integral part of this statement.

Statement C

**MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana**

**BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
December 31, 2007**

ASSETS

Cash	\$381,499
Ad valorem taxes receivable	<u>409,532</u>
TOTAL ASSETS	<u>\$791,031</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$2,833
Payroll withholdings and accruals	11,166
Deferred revenue	<u>420,034</u>
Total liabilities	<u>434,033</u>
Fund balance - unreserved and undesignated	<u>356,998</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$791,031</u>

Reconciliation of the Balance Sheet of Governmental Fund - General Fund

To the Statement of Net Assets:

Fund balance - unreserved - undesignated	\$356,998
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	<u>211,400</u>
Net assets of governmental activities (Statement A)	<u>\$568,398</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND -
GENERAL FUND
For the Year Ended December 31, 2007

REVENUES

Ad valorem taxes	\$408,340
State revenue sharing	30,312
State aid	37,077
Fines and forfeitures	3,082
Charges for services	3,342
Interest and miscellaneous	31,158
Total revenues	<u>513,311</u>

EXPENDITURES

General government - statutory charges	13,237
Culture and recreation:	
Personal services	278,593
Operating services	157,557
Materials and supplies	14,383
Library materials	62,943
Travel	5,367
Intergovernmental	2,380
Total expenditures	<u>534,460</u>

NET CHANGE IN FUND BALANCE (21,149)

FUND BALANCE AT BEGINNING OF YEAR 378,147

FUND BALANCE AT END OF YEAR \$356,998

(Continued)

The accompanying notes are an integral part of this statement.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND -
GENERAL FUND (Contd.)
For the Year Ended December 31, 2007

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Fund - General Fund
to the Statement of Activities:**

Net change in fund balance	(\$21,149)
Amount reported for governmental activities in the Statement of Activities (Statement B) are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$14,793) exceeded capital outlay (\$0) in the current period.	<u>(14,793)</u>
Change in net assets of governmental activities (Statement B)	<u><u>(\$35,942)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**MOREHOUSE PARISH LIBRARY
BASTROP, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2007**

Note 1. Organization and Summary of Significant Accounting Policies

Morehouse Parish Library (the "Library") is a component unit of Morehouse Parish. It was created by Ordinance No. 618 adopted by the Police Jury of Morehouse Parish on April 5, 1939. The administration of and accounting functions for funds of Morehouse Parish Library were transferred from Morehouse Parish Police Jury to Morehouse Parish Library Board of Control, effective January 1, 1983. The governing body of the Library consists of an eight member, non-compensated Board of Control which is appointed by Morehouse Parish Police Jury.

The Library provides approximately 31,500 parish citizens access to resource materials, books, magazines, films, recordings, and Internet.

The Board of Control is responsible for the hiring of a qualified librarian who is responsible for administration of day-to-day operations of the Library and supervision of employees.

The main Library and one full service branch are located at the parish seat, Bastrop, Louisiana, with three additional branches located within the parish and offering full services on a part-time basis.

Basis of Presentation:

The accompanying basic financial statements of Morehouse Parish Library have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

Reporting Entity:

The Library does not possess all the corporate powers necessary to make it a legally separate entity from Morehouse Parish Police Jury, which holds the Library's corporate

NOTES TO FINANCIAL STATEMENTS

powers. For this reason, the Library is a component unit of Morehouse Parish Police Jury, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Library and do not present information on Morehouse Parish Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

The more significant of the Library's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the Library as a whole as governmental activities, generally supported by taxes and general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (a) charges for services which include fees, fines, and other charges to users of the Library's services; (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements are provided for the governmental fund.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Library are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of

NOTES TO FINANCIAL STATEMENTS

the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. Major revenue sources susceptible to accrual are ad valorem taxes. In general, other revenues are recognized when cash is received.

Fund Type and Major Fund:

The Library reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Library and accounts for all financial resources.

Budgets and Budgetary Accounting:

The Board of Control adopted the annual budget for the General Fund on October 30, 2006. The annual budget was prepared in accordance with the modified cash basis of accounting utilized by the General Fund. The Librarian is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Control. Amendments were made to the annual budget on August 13, 2007 and the budgetary comparison schedule included as supplemental information in the accompanying financial statements includes the original and amended budget amounts. All annual appropriations lapse at fiscal year end.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

Cash includes amounts in interest-bearing demand deposits and petty cash. Under state law, the Library may deposit funds in demand deposits, interest-bearing demand

NOTES TO FINANCIAL STATEMENTS

deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Receivables:

Receivables include ad valorem taxes.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Library's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. The Library maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Buildings and improvements	40 years
Furniture and fixtures	5 years
Computer automation	5 years

NOTES TO FINANCIAL STATEMENTS

Deferred Revenue:

The Library reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

Compensated Absences:

Full-time professional staff of the Library earn 22 days of vacation each anniversary year of employment. Non-professional staff members of the Library earn from 10 to 20 days of vacation each anniversary year of employment, depending on length of service. Employees may not accumulate vacation. Upon resignation or retirement, employees are compensated for vacation earned but not taken during the current anniversary year of employment at the employee's current rate of pay.

The Library's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent that it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

NOTES TO FINANCIAL STATEMENTS

The cost of vacation is recognized as a current year expenditure in the governmental fund when vacation is actually taken or when employees are paid for accrued vacation upon resignation or retirement.

No liability is recorded for immaterial amounts of accumulated compensated absences and nonvesting accumulating rights to receive sick pay benefits.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into two components:

1. Invested in capital assets - consists of capital assets net of accumulated depreciation.
2. Unrestricted - consists of all other net assets.

In the fund financial statements, governmental fund balance is classified as unreserved and undesignated.

Revenue Recognition - Ad Valorem Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Library in September or October, are actually billed to the taxpayers in November, and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. Morehouse Parish Sheriff bills and collects the Library's property taxes using the assessed values determined by Morehouse Parish Tax Assessor. The Library's ad valorem tax revenues are recognized as revenue in the period for which they were levied.

Note 2. Cash and Deposits

The following is a summary of cash and deposits as of December 31, 2007:

Interest bearing checking account	\$375,281
Savings account	6,128
Petty cash	<u>90</u>
Total	<u>\$381,499</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the

NOTES TO FINANCIAL STATEMENTS

pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held jointly in the name of the pledging fiscal agent bank and the Library in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2007, the Library had \$386,038 in deposits (collected bank balances). These deposits were secured from risk by \$106,128 of federal deposit insurance and \$279,910 of pledged securities held by Library or its agent in the Library's name (GASB Category 1).

There were no repurchase or reverse repurchase agreements at December 31, 2007.

Note 3. Ad Valorem Taxes

For the year ended December 31, 2007, ad valorem taxes of 3.06 mills were levied on property with assessed valuations totaling \$137,265,164 as follows:

	Authorized Millage	Levied Millage	Expiration Date
General corporate purposes	3.26	3.06	2009

The following are the principal ad valorem taxpayers for the Library for the year ended December 31, 2007:

Taxpayer	Assessed Valuation	Approximate Percentage of Total Assessed Valuation	Ad Valorem Tax Revenue
International Paper Co.	\$25,386,600	18.49%	\$75,502
Entergy Louisiana Holdings	5,565,490	4.05%	16,538

Total ad valorem taxes levied for the year ended December 31, 2007 were \$420,034. As of December 31, 2007, ad valorem taxes receivable was \$409,532.

Note 4. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2007 for the Library is as follows:

NOTES TO FINANCIAL STATEMENTS

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$60,000</u>	<u>NONE</u>	<u>NONE</u>	<u>\$60,000</u>
Capital assets being depreciated:				
Buildings and improvements	206,056			206,056
Furniture and equipment	57,940			57,940
Computer automation	<u>67,204</u>			<u>67,204</u>
Total	<u>331,200</u>	<u>NONE</u>	<u>NONE</u>	<u>331,200</u>
Less accumulated depreciation for:				
Buildings and improvements	54,088	5,151		59,239
Furniture and equipment	52,040	1,316		53,356
Computer automation	<u>58,879</u>	<u>8,326</u>		<u>67,205</u>
Total	<u>165,007</u>	<u>14,793</u>	<u>NONE</u>	<u>179,800</u>
Total capital assets being depreciated, net	<u>\$166,193</u>	<u>(\$14,793)</u>	<u>NONE</u>	<u>\$151,400</u>

Depreciation expense of the governmental activities of \$14,793 is reported separately in the statement of activities in that the expense essentially serves all functions.

Note 5. Pension Plan

Plan Description:

Substantially all employees of the Library are members of Parochial Employees' Retirement System of Louisiana (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Library are members of Plan A.

NOTES TO FINANCIAL STATEMENTS

All permanent employees, working at least 35 hours per week who are paid wholly or in part from Library funds, are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three percent of their final-average salary for each year of creditable service.

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225)928-1361.

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Library is required to contribute at an actuarially determined rate. The current rate is 13.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Library are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Library's contributions to the System under Plan A for the years ended December 31, 2007, 2006, and 2005 were \$24,137, \$21,931, and \$21,930, respectively, equal to the required contributions for each year.

Note 6. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for all risks of loss, including workers'

NOTES TO FINANCIAL STATEMENTS

compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

BUDGETARY (NON-GAAP BASIS) COMPARISON SCHEDULE -
GOVERNMENTAL FUND - GENERAL FUND
For the Year Ended December 31, 2007

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - Non- GAAP)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$375,000	\$375,000	\$408,534	\$33,534
State revenue sharing	30,000	30,000	30,312	312
State aid grant	38,000	38,000	37,077	(923)
Fines and forfeitures	408	408	3,082	2,674
Charges for services	446	446	3,342	2,896
Interest and miscellaneous	19,146	19,146	31,158	12,012
Total revenues	<u>463,000</u>	<u>463,000</u>	<u>513,505</u>	<u>50,505</u>
EXPENDITURES				
General government - statutory charges			13,237	(13,237)
Culture and recreation:				
Personal services	280,000	280,000	273,080	6,920
Operating services	165,000	195,000	157,234	37,766
Materials and supplies	17,000	27,000	14,734	12,266
Library materials	63,000	83,000	63,127	19,873
Travel	7,000	7,000	5,196	1,804
Intergovernmental	3,000	3,000	2,380	620
Capital outlay	5,000	5,000		5,000
Total expenditures	<u>540,000</u>	<u>600,000</u>	<u>528,988</u>	<u>71,012</u>
NET CHANGE IN FUND BALANCE (NON-GAAP BASIS)	(77,000)	(137,000)	(15,483)	121,517
FUND BALANCE AT BEGINNING OF YEAR (NON-GAAP BASIS)	<u>300,000</u>	<u>300,000</u>	<u>391,218</u>	<u>91,218</u>
FUND BALANCE AT END OF YEAR (NON-GAAP BASIS)	<u>\$223,000</u>	<u>\$163,000</u>	375,735	<u>\$212,735</u>
ADJUSTMENTS TO GAAP:				
Revenue accruals			409,532	
Deferred revenue accruals			(420,034)	
Expenditure accruals			<u>(8,235)</u>	
FUND BALANCE AT END OF YEAR (GAAP BASIS)			<u>\$356,998</u>	

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2007

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

MOREHOUSE PARISH LIBRARY
Bastrop, LouisianaSTATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2007

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
2006-1	1993	Inadequate Segregation of Duties	N/A	See 2007-1 in current year findings.

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

I have audited the financial statements of the governmental activities and major fund of Morehouse Parish Library, a component unit of Morehouse Parish, as of December 31, 2007, and for the year then ended, which comprise Morehouse Parish Library's basic financial statements and have issued my report thereon dated June 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Morehouse Parish Library's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morehouse Parish Library's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the library's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the library's ability to initiate, authorize, record, process, or report financial data reliably

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MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2007

in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the library's financial statements that is more than inconsequential will not be prevented or detected by the library's internal control. I consider the deficiency described in the accompanying schedule of current year findings as 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the library's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morehouse Parish Library's financial statements are free of material misstatement, I performed tests of the library's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Morehouse Parish Library's responses to the findings identified in my audit are described in the accompanying schedule of current year findings. I did not audit the library's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information of the management and board of control of Morehouse Parish Library and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Carleen Dumas
Calhoun, Louisiana
June 9, 2008

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

Schedule of Current Year Findings
For the Year Ended December 31, 2007

I have audited the financial statements of the governmental activities and major fund of Morehouse Parish Library, a component unit of Morehouse Parish, as of December 31, 2007, and for the year then ended, which comprise Morehouse Parish Library's basic financial statements and have issued my report thereon dated June 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of December 31, 2007 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiency ☒ Yes ☐ No

Material Weakness ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statement ☐ Yes ☒ No

Section II - Financial Statement Findings

2007-1. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting functions of the library, i.e., receiving and depositing receipts and preparing, signing, and issuing checks are performed by one individual.

BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Schedule of Current Year Findings

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

Management's Response: It is not economically feasible to correct this deficiency based on the size of the library and its limited revenues.